

Prior to:

Online Business Forum,
Onsite Visits and 1-2-1 Meetings

Oil and Gas Russia and CIS ■ ONLINE

Organised by:

VOSTOCK CAPITAL

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Outcomes of the webinar:

Potential of O&G projects in the Far East in new economic realities



As a preamble to the 5th Annual International East Russia Oil and Gas Forum, which is scheduled to take place in Vladivostok on 7-8 July 2021, British consultancy Vostock Capital hosted a free webinar “Potential of O&G projects in the Far East in new economic realities”.

For the last four and a half years, the share of foreign investment in the Far East economy has increased by a factor of seven. To date, it amounts to 30% of overall volume.

The most attractive for investors are Primorye and Amur river regions. Today, there are **33 ongoing projects with direct foreign investment**. Overall cost of these projects exceeds 10 billion roubles.

To reveal the aspects of investment project development in the Far East the industry experts were invited to speak at the webinar:



**ANASTASIA
NABATCHIKOVA,**
Head of Petrochemistry,
**Far East Investment and
Export Agency**



**ROMAN
SAMSONOV,**
CEO,
Russian Gas Society



**ALEKSANDR
KOROBKOV,**
General Director,
Gazpromneft-Sakhalin

ANASTASIA NABATCHIKOVA,

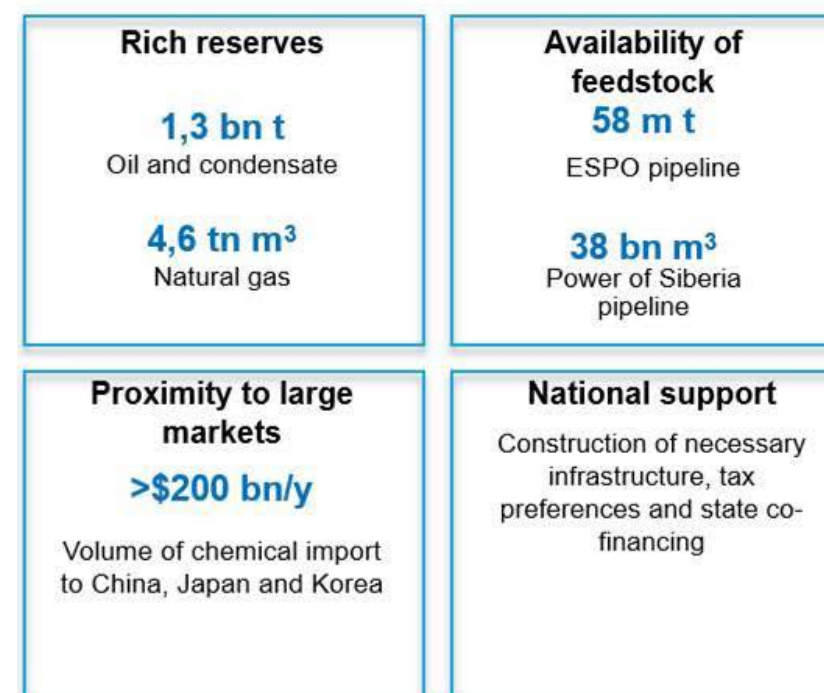
Head of Petrochemistry, Far East Investment and Export Agency, was the first speaker at the webinar. She devoted her presentation to **petrochemistry in the Far East under the influence of COVID-19 and oil price war.**

The speaker started with the review of petrochemical industry in the Far East.

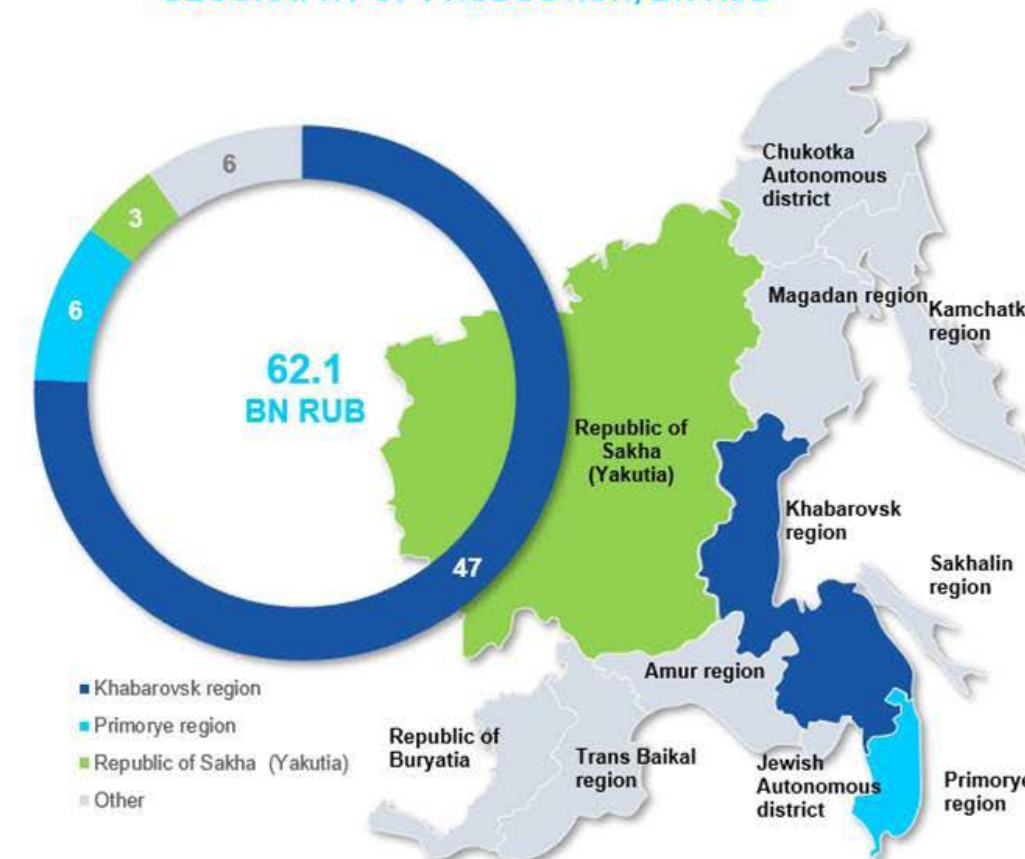
Anastasia paid attention to LNG market trends and ongoing investment projects in the Far East, among them:

- AMUR GAS PROCESSING PLANT, GAZPROM;
- AMUR GAS CHEMICAL COMPLEX, SIBUR HOLDING;
- METHANOL PLANT, ESN;
- AMUR OIL REFINERY, AEC;
- NZMU, OIL AND GAS HOLDING.

COMPETITIVE ADVANTAGES OF THE INDUSTRY:



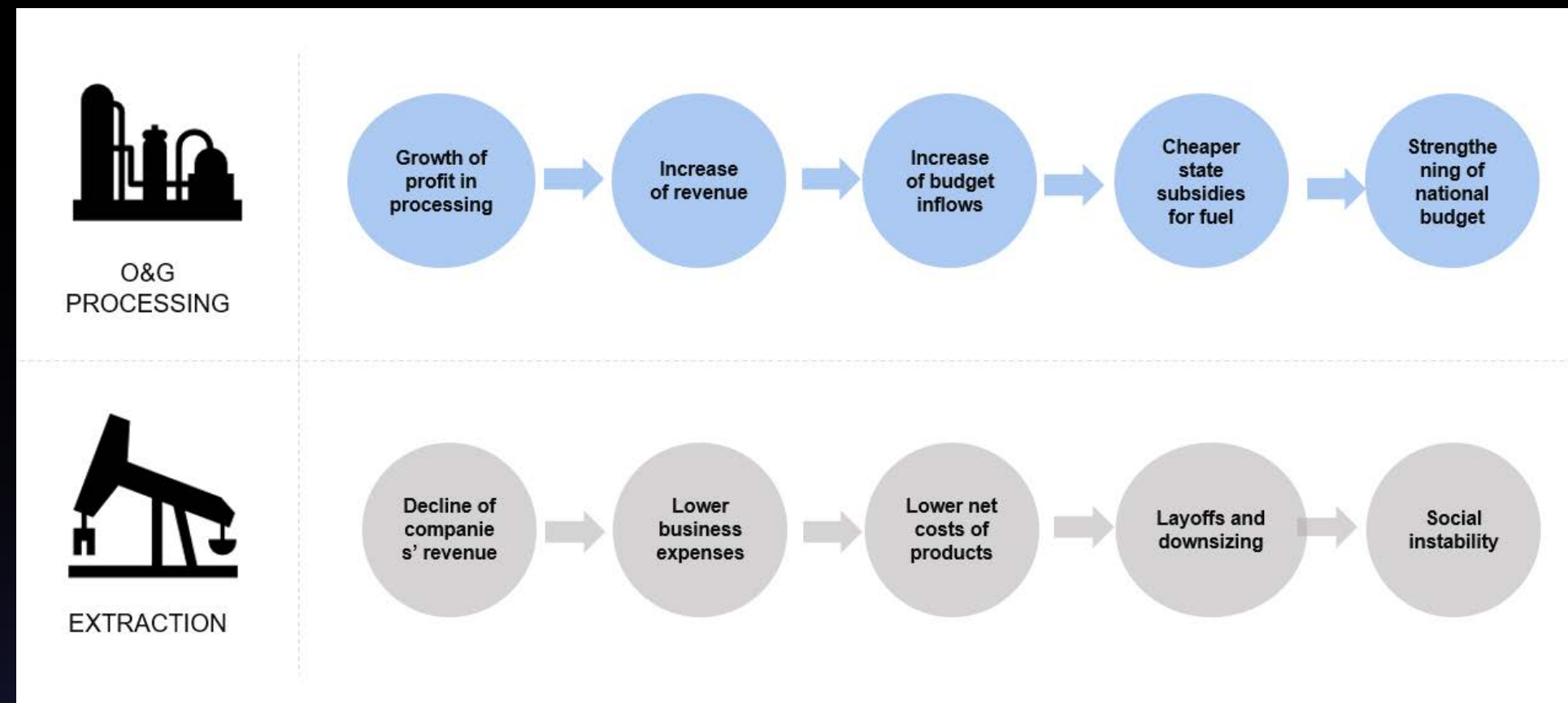
GEOGRAPHY OF PRODUCTION, BN RUB



“Current economic situation does not influence large projects to a great extent, as they have a long investment cycle, which implies all risks and stress-scenario in case of market threat.”

The speaker dwelled upon the influence of the current situation on the industry and pointed out both advantages and disadvantages of the crisis.

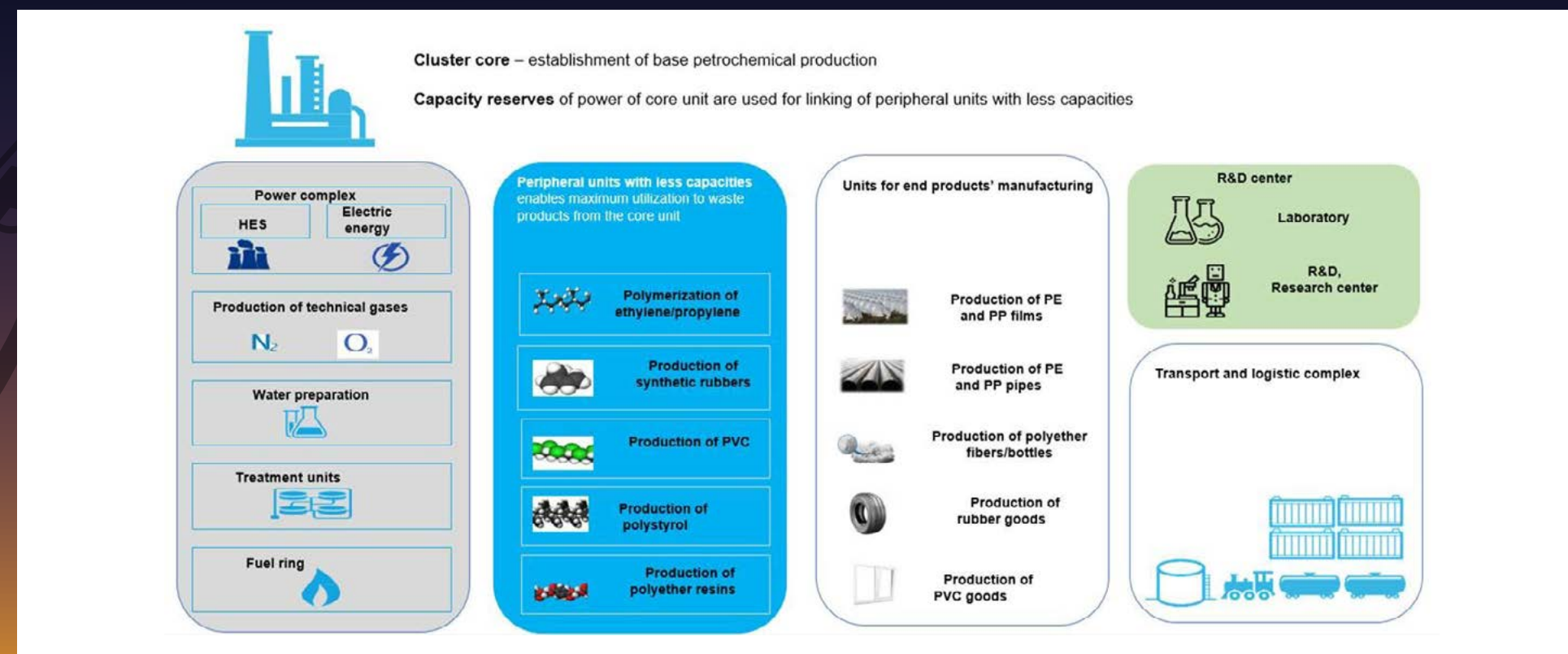
“In oil production and processing stagnation of domestic demand and surplus in foreign market, of course, will not contribute to support of primary processing volumes. We suppose that the situation will stabilise by the end of this year or the beginning of the next one, when global economy starts recovering. This year it will fall by 2.6%, but the next year it will grow to 4%.”



Anastasia presented **national support measures** introduced in Russia and the results of **the survey regarding application of these measures** among the businessmen.

At the end of the presentation, the speaker shared the idea of a petrochemical cluster in the Far East.

“Cluster is a global trend, which is interesting for foreign players.”

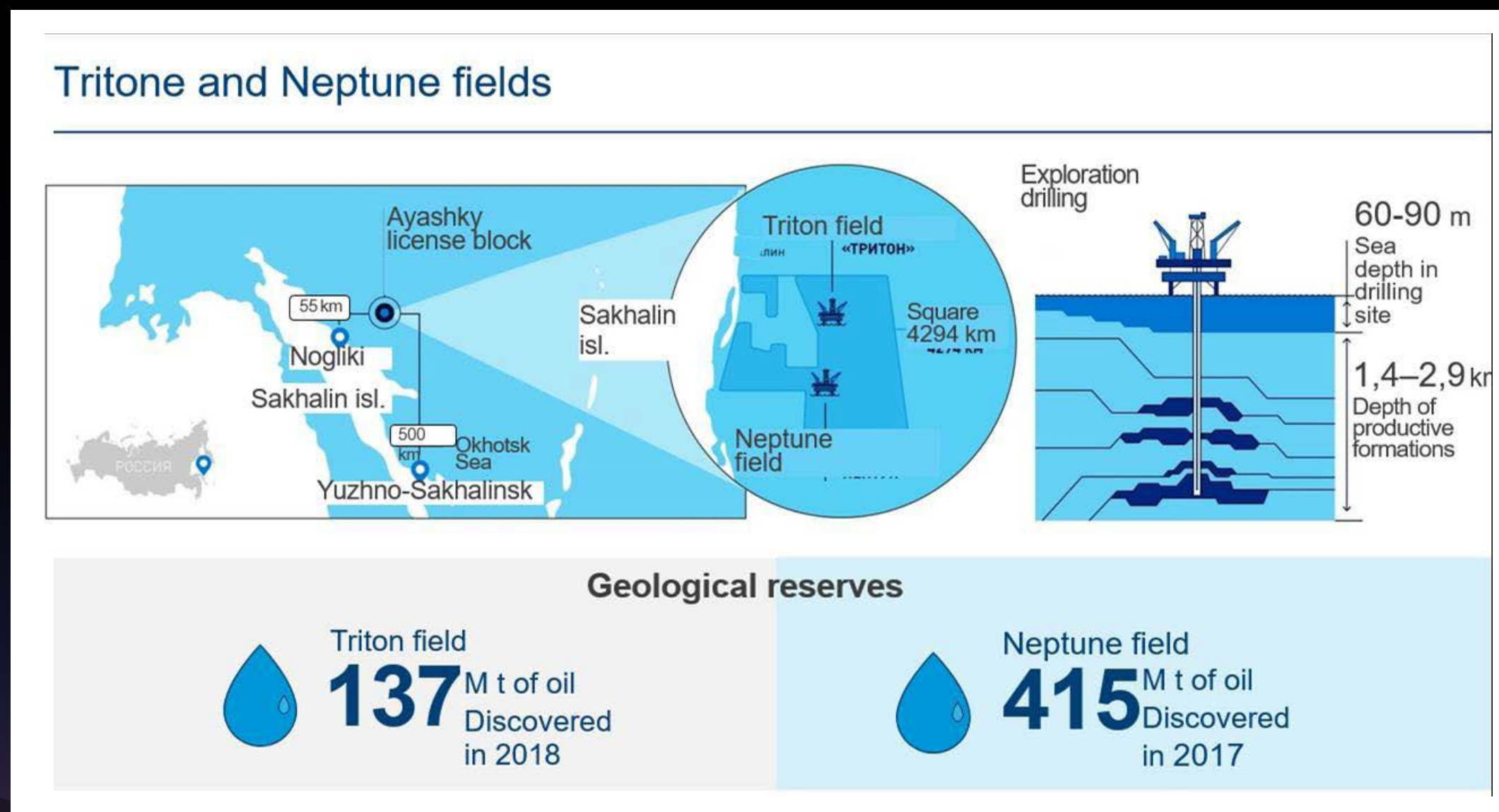


ALEKSANDR KOROBKOV,

General Director of **Gazpromneft-Sakhalin** was the second speaker. He reviewed **development strategy of Gazpromneft-Sakhalin in current economic realities.**

Aleksandr started with the importance of HSE and sustainable development, and the activities Gazprom Neft undertakes to develop in this direction.

Then, he presented promising fields, recently discovered by Gazprom Neft.



Aleksander reviewed the **history of the Ayashky license block** and dwelled upon **shelf projects in 2019**, and technologies applied in extraction.

“Sakhalin is undergoing the renaissance of O&G industry in terms of new investment projects. Foreign partners, precisely from China, actively offer technical and technological support in spite of existing challenges.”

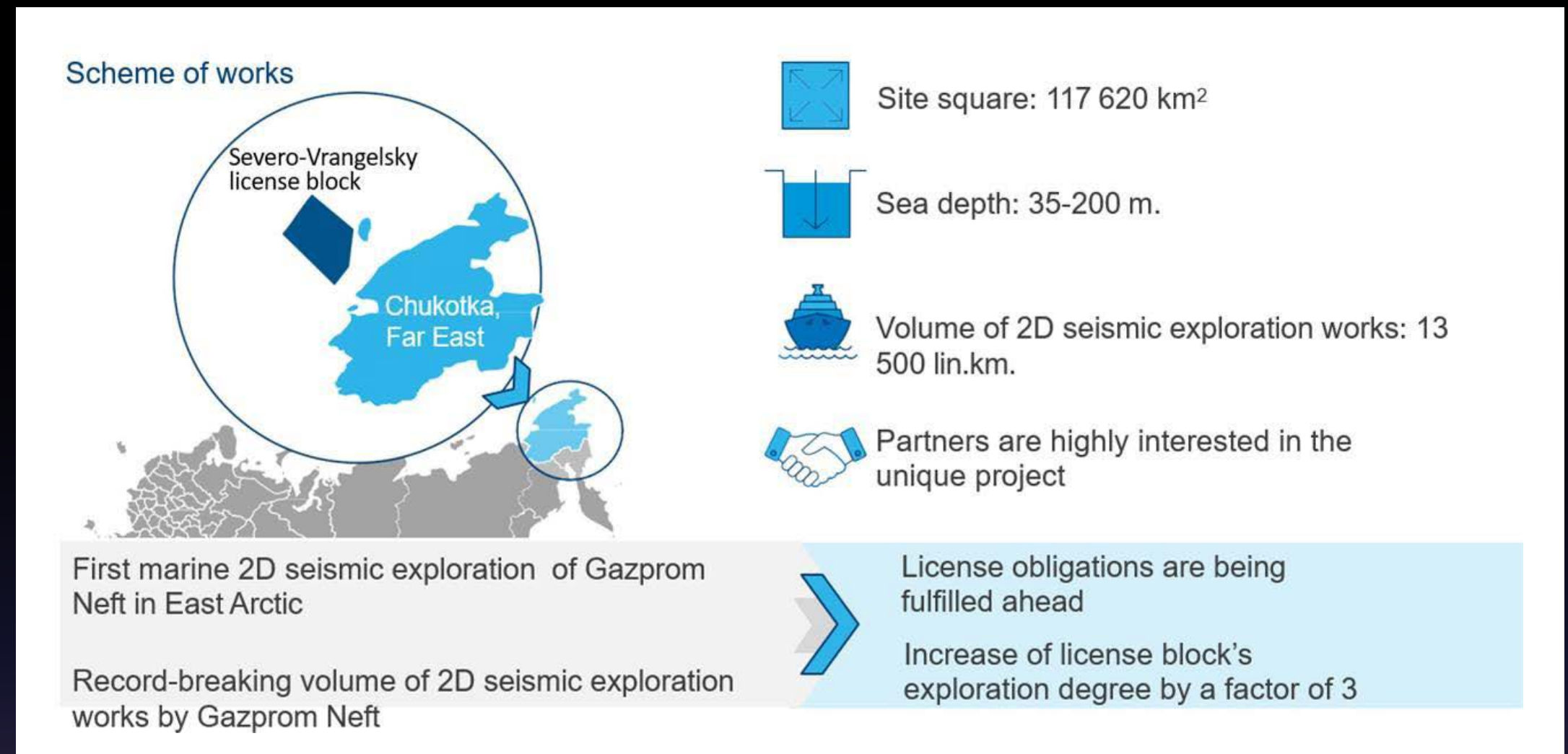
The speaker could not avoid the topic of **COVID-19 outbreak**: he mentioned that the measures undertaken to overcome the spreading of the virus made unprecedented influence on global economy and oil prices. However, he highlighted, *“Gazprom has **no intention to change development timeframes** of ongoing projects. The company even thinks about earlier commissioning.”*

Aleksandr presented **development strategy** of Gazprom Neft **under new economic circumstances** and company's **legal initiatives to support development of shelf projects** in Russia.

The speaker paid special attention to **Severo-Vrangelsky license block**, as a promising O&G cluster in East Arctic and a driver for Chukotka region development.

Aleksandr concluded his presentation by underlining the **importance of shelf project development**:

“Development of shelf fields in the Far East opens numerous perspectives for infrastructure development and social economic growth of the whole region.”



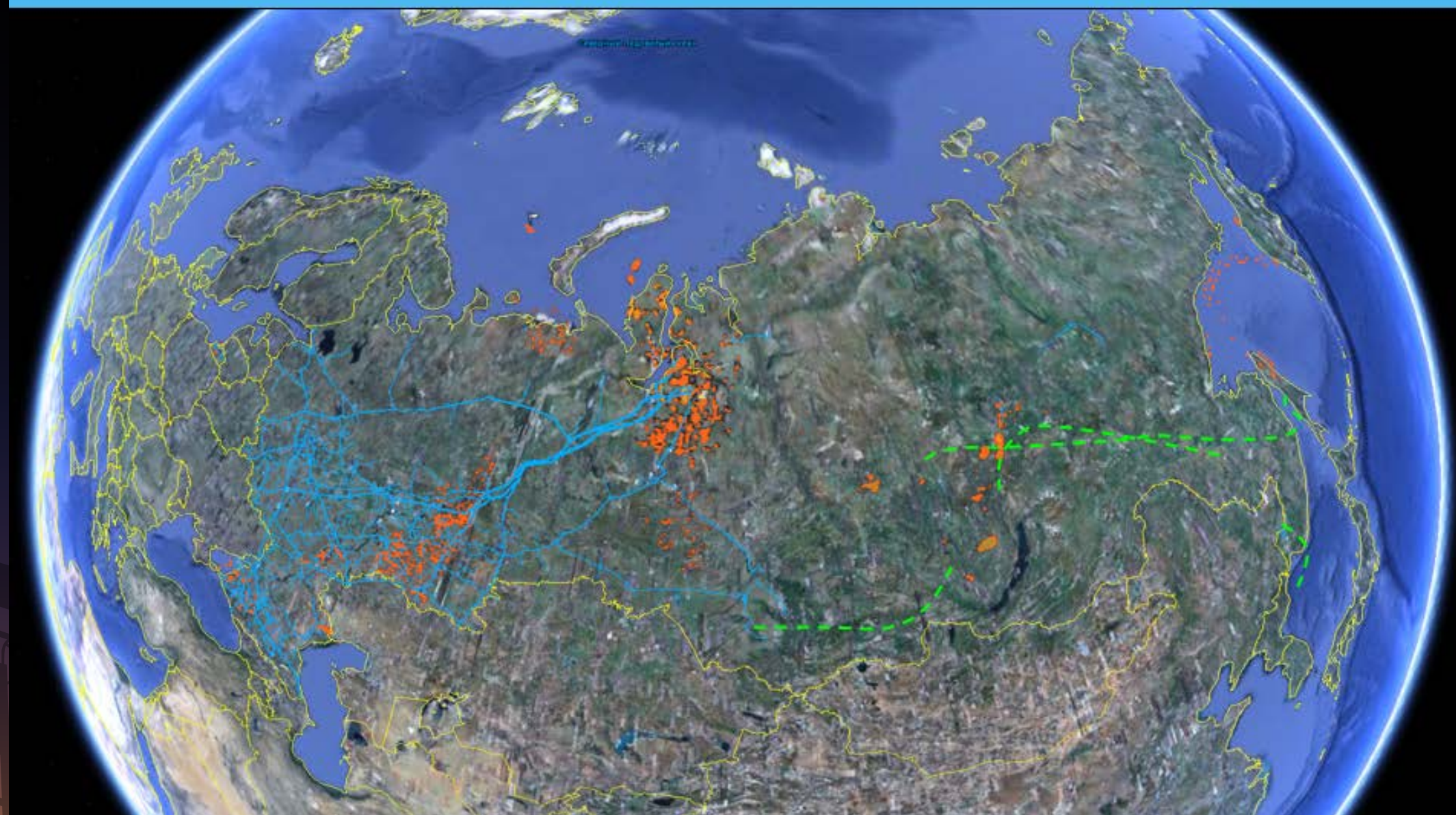
ROMAN SAMSONOV,

CEO, **Russian Gas Society** was the third to speak at the webinar. He presented **post-pandemic prospects of O&G projects.**

Roman overviewed Russian gas pipeline system and said,

“Taking into account 650 thousand km of Gazprom’s distribution pipelines, 155 thousand km of Gazprom and partners’ mainline pipelines, plus 80 thousand Transneft’s main pipeline nets, plus additional fields’ pipeline systems, we can say that the country has about a million km of pipeline systems. However, it is obviously not enough. New transportation methods stimulated market development significantly.”

The Russian Gas Pipeline System including the Arctic



The pandemic revealed the necessity to transport O&G to consumers. Roman paid attention to the role of the **state as a regulator**, who has enough resources to stabilise crisis situation and stimulate the development of infrastructure.

The speaker pointed out **profitability of marine fields**, presented the **map of O&G production areas and efficiency of development**.

“With the price lower than \$60 per barrel, only two oil producing areas are profitable. Some of the areas can be profitable with moderate national support.”

Besides, Roman summed up the **participants of hydrocarbon fields development on the Russian shelf**.



Then, the speaker dwelled upon **economic significance of the Northern Sea Route**.

“Today, the Northern Sea Route is not only a transport artery and a way to save time, but a geopolitical factor, because it is one of few transport corridors enabling Russian participation in the global market.”

Roman spoke about the **significance of changing technical regulation** in Russia in order to stimulate industry development.

He presented the Institute of O&G Technological Initiatives, established by major Russian industry players.

The speaker concluded by highlighting **ecological issues**. Before the crisis RES and ecological situation influenced O&G sector to a great extent. Alternative energy sources can mitigate factors connected with ecological regulation. Thus, **hybrid technologies** will become our future, enabling further industry development.

POLL QUESTIONS

In the course of the webinar the moderator conducted a poll asking the audience's opinions on future development of investment projects in the region. The results of the poll and speakers' comments are provided below:

In your opinion, what global trends will influence industry the most?

- O&G prices in the global market **58%**
- increase of LNG market, growth of marine shipping **6%**
- rise of demand in Asia-Pacific countries **16%**
- boost of productivity and labour safety **2%**
- development of new high value-added productions **18%**

In your opinion, what projects are the most promising for investment / development in modern conditions?

- Amur Gas Processing Plant **25%**
- Amur Gas Chemical Complex **35%**
- Gas Project of Irkutsk Oil Company **12%**
- Development of Payakha Field **11%**
- Vladivostok LNG **17%**

What are the prospects of O&G projects in Russian Far East and Eastern Siberia in the upcoming 5-10 years? The number of projects will:

- Increase **60%**
- Decline **13%**
- Remain the same **27%**

Anastasia Nabatchikova:

"The results are logical. The interest in investing in large, close to market projects remains. Economy is growing, it cannot continue stagnation only because traditional work mode was interfered for 2-3 months. The number of O&G projects in the Far East and Eastern Siberia will continue to grow."

ASK THE EXPERT

Within the webinar listeners had an opportunity to address questions to the speakers.

These and other questions were discussed at the end of the webinar:

What is the current status of Amur Oil Refinery project?

Anastasia Nabatchikova:

“No doubts, that the pandemic influenced such projects. Participants of Amur Oil Refinery project almost lost the preferences for priority development area. But we are working on the problem. In December 2019, Chinese partners completed the “dew deal” and proved profitability of the project. Thus, positive investment decision was made. It was before the crisis. Today, the project status is “suspended”.

Will Yakutsk LNG project be completed?

Anastasia Nabatchikova:

“The first phase is completed. We have started supplies to Mongolia. <...> We are selecting an investor for the second phase of the project, which is on active phase of development.”

Do you to attract other foreign producers, apart from Chinese, to develop Neptune and Triton fields?

Aleskandr Korobkov:

“No doubts, we focus on Asia-Pacific region, but it is not an obstacle for other European partners to join the project. We collaborate with major European producers and service providers and use their equipment. We are always open for cooperation with all foreign partners.”

How do you plan to train personnel for Neptune and Triton fields?

Aleskandr Korobkov:

“We pay great attention to qualification of our professionals. We attract Russian speaking experts from abroad. Besides, we are sure that we have managed to gather the team of top specialists for project development on all phases. Of course, we have internal training, so-called Pro Shelf Concept. And we have exchange programmes with other companies engaged in geological exploration and O&G extraction.”

Are new standards and regulations necessary for fuel and energy complex development?

Roman Samsonov:

“Unfortunately, today we observe huge scale deregulation. Every company has own standards, rules and regulations, it is very difficult for producers. The issues influence pricing as well. The industry needs to have right standards to get right equipment. Establishment of the Institute of O&G Technological Initiatives is an attempt to work out a new approach to standards. We are working on this problem, but we need more participants, more companies.”

What is the status of the Nord Stream-2?

Roman Samsonov:

“The project is being developed, there are all the basis to complete this project. It is just impossible to leave it unfinished. Germany participates in the project on the very top level. The prospects are optimistic. <...> Regulatory base for pipeline market consolidation is changing and growing. It will be more profitable by the time of project completion.”

To close the webinar the moderator thanked the speakers for participation and for their engaging presentations. She also reminded that the webinar was help prior to the **ONLINE BUSINESS FORUM, ONSITE VISITS AND 1-2-1 MEETINGS «OIL AND GAS RUSSIA AND CIS ONLINE» TO BE HELD ON 15-17 JULY 2020.**

Join the online forum to know how the new communication format will help boost development of your company, and assess all the advantages the online format offers for networking.

Visit the website

<https://neftegas.online/en/>

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EVENTS CALENDAR

<div></div> <div>5th International Forum and Exhibition</div> <div>7–8 July, 2021</div> <div>Vladivostok</div>	<div></div> <div>7th Annual Congress and Exhibition</div> <div>29–30 September, 2020</div> <div>Moscow</div>	<div></div> <div>2nd Online Business Congress and 121 meetings</div> <div>22–24 July, 2020</div> <div></div>	<div></div> <div>Online Business Forum, Onsite Visits and 1-2-1 Meetings</div> <div>15–17 July, 2020</div> <div></div>	<div></div> <div>15th Annual Technical Conference</div> <div>12–13 November, 2020</div> <div>Saint-Petersburg</div>
<div></div> <div>8th Annual Forum and Exhibition</div> <div>25–26 November, 2020</div> <div>Novy Urengoy, Russia</div>	<div></div> <div>International Congress and Exhibition</div> <div>2–3 December, 2020</div> <div>Buenos Aires, Argentina</div>	<div></div> <div>7th Annual Conference and Exhibition</div> <div>2–4 March, 2021</div> <div>Samara</div>	<div></div> <div>3rd Annual International Congress and Exhibition</div> <div>30 September — 1 October, 2020</div> <div>Bogota, Colombia</div>	<div></div> <div>4th Annual International Summit and Exhibition</div> <div>4–5 November, 2020</div> <div>Sarajevo, Bosnia and Herzegovina</div>
<div></div> <div>Professional Conference and Onsite Visit</div> <div>3–4 September, 2020</div> <div>Kursk, Russia</div>	<div></div> <div>International Congress and Exhibition</div> <div>16–17 November, 2020</div> <div>Lima, Peru</div>	<div></div> <div>2nd International Congress and Exhibition</div> <div>25–26 November, 2020</div> <div>Buenos Aires, Argentina</div>	<div></div> <div>3rd Annual International Congress and Exhibition</div> <div>7–8 October, 2020</div> <div>Moscow</div>	<div></div> <div>2nd International Congress and Exhibition</div> <div>9–10 December, 2020</div> <div>Kazan, Republic of Tatarstan</div>